



**Adapting
French aid**
to the challenges
of a changing world





Contents

Context

France fully committed to the development agenda

p.4

New players, new forms of financing, new global challenges

p.7

Means

Building countries' capacity

p.8

Adapting cooperation to the context

p.10

Broadening the range of aid instruments

p.12

Forging new alliances

p.14

Key Work Strands

Key Work Strands

p.16

In addition

Key figures

p.17

Glossary

p.18

CD-Rom

p.19



© P. Kabre

Introduction

The current situation, marked by energy, food and environmental crises, underscores the global nature of development challenges in an uncertain economic context. Given the scale of the challenges, fresh impetus needs to be given to international cooperation, in terms of objectives, coordination and innovative approaches to resources and instruments.

Development assistance is undergoing fundamental change. While pursuing its traditional objectives of poverty reduction and influence, it is increasingly called on to help each developing country to design and implement public policies that address today's national and international challenges. In a world of limited resources, each country needs to find its proper place in the "new deal" of globalisation. Development assistance enhances each country's ability to capitalise on its own assets, taking advantage of the huge progress made in research, knowledge and information.

The increasing number of international aid providers requires that donor coordination be strengthened. The time has come for innovative coalitions and partnerships between public bilateral and multilateral donors, local government, NGOs, foundations and private sector enterprises. It is therefore essential to build partner countries' capacity to profit from these varied sources of aid.

The official aid of the OECD countries, which stagnated in 2007, needs to be increased and reoriented to achieve the goals of social and economic equity and sustainable management of public goods. Official development assistance can serve as a catalyst for other sources of financing and

encourage all components of societies to marshal their ideas and resources in support of investment for growth and job creation. The road ahead is clear: innovation in the health sector, creation of new forms of borrowing, increased participation by local authorities and NGOs, and the emergence of foundations, sovereign funds and the private sector in the development arena. The diversity of stakeholders and instruments is an asset, on condition that beneficiary countries remain in control.

The international community has given many commitments and set targets for both funding and results. Precedence should be given to the results-based approach, which encourages the parties involved to measure progress on a regular basis, devise solutions and make adjustments, in order to keep their promises of a more equitable world based on the principles of sustainable development. These are the challenges that will face the French aid system, and the international community as a whole, in the key upcoming events on the international agenda.

The purpose of this brochure is to shed light on these issues by indicating the approach – in terms of analyses, commitments and resources – that will be taken by French development cooperation with regard to these events. ■

Development assistance is undergoing fundamental change. The time has come for innovative coalitions and partnerships.



Context

© P. Kabre

France fully committed to the development agenda

The Millennium Development Goals (MDGs)

Between now and 2015, take action to:

1. Reduce extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce under-5 child mortality
5. Improve maternal health
6. Combat AIDS, malaria, tuberculosis and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development



© AFD

Following the significant decline in official aid during the 1990s, the international community reaffirmed its commitment to development at a series of international conferences. In 2000, at the **United Nations Millennium Summit** in New York, 191 countries gave their support to a joint scheme on an enormous scale: a refusal to accept poverty as inevitable. They pledged to achieve eight development goals by 2015.

Two years later, the international community finalised the **Monterrey Consensus** on development financing, identifying six complementary avenues for maximising financial flows for development:

- Mobilising national financial resources for development.
- Mobilising international financial resources for development: foreign direct investment and other private financial flows.
- Liberalising international trade.
- Stepping up international financial and technical cooperation.
- Reducing external debt.
- Increasing the coherence of the international monetary, financial and trading systems supporting development.

In 2005, at the **Gleneagles Summit**, the G8 countries pledged to increase their development assistance and to grant further debt cancellations to the most heavily indebted countries, in addition to those accorded in 1996 and 1999.

In the same year, 90 countries and international organisations signed the **Paris Declaration**, in which donors on the OECD Development Assistance Committee and partner countries pledged to increase the effectiveness of aid. The Declaration sets 12 quantitative targets to be met by 2010 and is based on five principles:

- Ownership of aid by developing countries: beneficiary countries should have more control over the definition and management of their development policies.
- Alignment of aid with national development strategies: donors should base their support on their partners' priorities and use their partners' institutions and procedures.
- Harmonisation of aid activities: increased complementarity between donors and development of joint approaches in order to reduce the transaction costs of aid provision.

Official development assistance and development financing: measuring resources and results

Official development assistance (ODA) consists of grants and subsidised loans provided by the governments of OECD member countries to support the development of non-member countries. It is generally measured in net terms, i.e. less repayments received on prior ODA loans. It accounts for only a part of the external public and private financing available to developing countries.

In addition to statistical measurement of the resources provided, ODA institutions have mobilised to measure outcomes and impacts in the context of "managing for results". In France, the Organic Statute on Budget Acts (*Loi Organique sur les Lois de Finances – LOLF*) sets quantitative targets for all public programmes. In this context, the ODA resources indicator will be supplemented by indicators of results, which will use in particular the tools developed by the Agence Française de Développement.



Tunisie © B. Mouhli.

- Managing aid for results: results-oriented aid evaluation and notification frameworks to improve the decision-making and monitoring processes.
- Mutual accountability for the results obtained: measurement of the progress achieved by both donors and partner countries towards fulfilment of their commitments.

The Paris Declaration gave rise to a **French plan of action** aimed at building capacity in partner countries, pursuing and deepening the partnership approach to aid planning, and improving management procedures. An



© AFD

Debt cancellation for developing countries

Two multilateral initiatives launched through the G8 have considerably reduced the debt of developing countries: the Heavily Indebted Poor Countries (HIPC) Initiative, launched in 1996 and enhanced in 1999, and the Multilateral Debt Reduction Initiative (MDRI), launched in 2005. These initiatives concern 41 countries. As of 1 March 2008, 23 of them had reached the completion point of the HIPC Initiative and benefited from the MDRI. The total amount of debt cancelled under these initiatives exceeds \$81 billion. The stock of debt was reduced by two-thirds on average, leading to a 40% increase in the share of public spending devoted to poverty reduction over the 2000-2007 period. Today, the two main challenges lie in the participation of all creditors in the efforts called for under the HIPC Initiative and winning the broadest possible acceptance of rules for proper management of public finances to avoid any further risk of debt distress.

evaluation of France's implementation of the Paris Declaration, carried out in preparation for the Accra conference, found that this plan displayed both strengths and weaknesses. The evaluation concluded that the plan needed to be disseminated more actively and adapted more effectively to the diversity of countries and sectors concerned.

Also in 2005, at the **Luxembourg Summit**, the member states of the European Union gave a commitment to channel 50% of the increase in their aid to Africa. In addition, a European consensus on development policy

The charter on food aid to the Sahel: a pioneering approach to harmonisation

The food aid charter is a collective commitment approved by the member states of the Comité Permanent Inter-états de Lutte contre la Sécheresse au Sahel (CILSS) and the donors of the Club du Sahel in 1990. It has helped the Sahel countries and their external partners to harmonise their methods for evaluating the food situation and requirements. It has also led to the implementation of aid in a manner consistent with securing long-term food security, by giving priority to the mobilisation of local and regional resources. The charter is a pioneering example of a partnership approach to seeking great effectiveness, applied to a specific tool in a given region. Today, when the world is wondering how to cope with the food crisis, the charter remains highly relevant, even as it continues to adapt to changes in the issues and in the instruments used to respond to crises.



© AFD

**A results-based approach
for more effective aid**

For a number of years, AFD has been developing means of measuring the results and impacts of its operations. This approach has several objectives: to make it possible to guide strategies and select operations; to ensure accountability (with respect to taxpayers as well as partner countries); to provide means of measuring results, as required by the new Budget Acts mechanism; and to fulfil international commitments (the Paris Declaration on aid effectiveness). In 2009, a mechanism for monitoring strategies will make it possible to measure their effects.

Indicators reported for each financing operation constitute the key instrument for measuring development outcomes and contributions to the MDGs, economic growth and global public goods. The definition of these indicators is harmonised with that of other international donors. Aggregation of the indicators allows consolidated reporting of results.

By 2010, AFD will have radically changed its evaluation mechanism. Sectoral evaluations and evaluations for purposes of knowledge development will be conducted by its head office. Ex post evaluations will be conducted systematically on completion of each project: they will be managed locally and the results shared with beneficiaries.



© S. Snrech



© AFD

Increased amounts of aid and greater effectiveness: as from 2000, the international community renews its commitment to development.

sets the priorities, principles and procedures for a European strategy in the field of development cooperation, based on the common values of the members of the Union. It emphasises the quantity and quality of aid, policy coherence and the need to address a number of global challenges. It is firmly in line with the spirit of the Paris Declaration on aid effectiveness and the Monterrey Consensus on development financing, two processes which the European Union played a leading role in initiating.

These commitments relate both to the amount of funding provided (the G8 declarations at Gleneagles, the European Union's goal of raising official development assistance to 0.7% of GNI by 2015) and to improving effectiveness (Paris Declaration on aid effectiveness in 2005, European code on the division of labour in 2007).

According to the G8, Africa should receive 50% of aid increases, in addition to the pledge given in 1990 to allocate 0.15% of the

GNI of donor countries to the least advanced countries.

In 2008, increased support for development is more crucial than ever. A number of international events will provide the occasion to take stock of these donor commitments: the Accra forum on aid effectiveness, meetings in New York on the needs of Africa and the Millennium Development Goals, the Doha conference on development financing. ■



© S. Snrech

**New stakeholders,
new forms of financing,
new global challenges**

In a context of strong global growth, developing countries exhibit different growth paths and rates. Today, some of these countries are catching up with the developed economies, having followed original growth paths, while others are struggling to break out of a cycle of crises and under-development. The nature of financial flows between the North and South has also changed dramatically. Although ODA has increased, its relative share in flows of capital and know-how to developing countries is declining. Trade, private investment, migration and migrants' remittances of savings, though unequally distributed, now account for the great majority of these flows. In addition, financial flows between developing countries are increasing rapidly.

New challenges that transcend national borders have come to the fore: regulation of trade and migration, control of major pandemics and the effects of climate change, preservation of biodiversity and, as appears on the news every day, access to energy and food.

The number of donors supporting the development process has increased: emerging countries, which are still aid recipients, are themselves becoming important donors on the international scene. Philanthropy is playing an increasing role through foundations, as is financing provided by civil society and local authorities in the North.

In developing countries, the new generations born since independence and better educated, claim the right to take responsibility for their own development processes and would like to see new forms of partnership with donor institutions and countries.

The development scene is thus profoundly different from that of past decades. It is marked by the growing diversity of national situations and, at the same time, by increased interdependence at the global level. In this changing context, international cooperation helps each beneficiary to find its own unique path to economic and social development. All countries are thus contributing to solve global problems.

Official development assistance is not charity; rather, it is an instrument of partnership that needs to adapt its goals and methods to the new context: the development challenges of the 21st century require new alliances, innovative partnerships and diversified tools that can respond to the diversity of situations, needs and expectations of developing countries. ■

The development scene today is profoundly different from that of past decades.**focus**

Case studies available on the CD-Rom enclosed.

Cambodia

Cambodia's irrigation project promotes learning-by-doing and relies on existing institutions to develop the sector policy.

Guinea

Rice cultivation in Lower Guinea: AFD financing for greater rice grower involvement.

Mozambique

Access to water for the poor in peri-urban areas of Maputo.

Means



© S. Snrech

Building country capacity

Sectoral support to Burkina Faso: working together for education

The Ten-Year Development Plan for Basic Education (2002-2011) has been supported by the international community since it was initiated. In 2004, Burkina Faso and several of its partners, including AFD, transformed a plethora of projects into budget support to the education sector, a form of aid better aligned with national procedures. External partners' payments (about 20% of the total budget) are linked to performance. In 2006, at the end of the first phase of the plan, the gross enrolment rate had risen to 60.7% (an increase of almost 50%), and the proportion of pupils completing primary education had increased to 34%. The objective of the second phase, covering the 2007-2010 period, is to raise these ratios to 78% and 52% respectively, while at the same time improving quality and reducing disparities.



© F. Mazzeo

States have an essential role to play in managing interdependence and regulation. To accomplish this mission, they need a competent, credible and motivated public administration. A partnership between states, official development assistance – through its ends and through its means – helps to strengthen the working of governments in beneficiary countries, to the benefit of all. Formulating strategies for economic and social development is rarely a simple matter. In developing countries, well-defined public policy and clear priorities are necessary conditions for making the best use of scarce resources. However, the challenge is daunting, as conditions are constantly changing and needs are many. Local financing is limited and external financing is subject to conditions. Institutions are often fragile, and qualified human resources in short supply. Setting policy and making choices is the responsibility of the countries concerned. This process must be coordinated by the authorities, with extensive involvement by all interested parties, based on shared information and aiming for specific objectives. This is what policy ownership is about. Negotiating and implementing economic

and social development strategies requires local competencies. French cooperation supports the mobilisation and strengthening of the know-how of developing countries through technical assistance and capacity building programmes.

Reliable data are essential in order to properly assess challenges; determine development priorities; translate them into policies, actions and budgets; and measure the results. Similarly, improved mobilisation of a country's domestic resources and greater predictability of aid flows are vital in order to enable partner countries to anticipate the amount of resources available for implementing public policy. The existence of reporting systems and accurate, transparent statistical mechanisms is an important aspect of results-based management and the duty of states to account for their activities.

Development strategies require institutional frameworks to enable stakeholders (states, parliaments, partners in civil society and the private sector, international technical and financial partners) to debate, thus supporting the development of technical and negotiating skills. Frameworks for coordinating implementation of development strategies at the national, local and sectoral levels must

Development assistance strengthens governmental capacity for action in the Southern countries, for the good of the greatest number.

function smoothly if there is to be better coordination of donor actions and of their alignment with partner countries' priorities. For donor funding to flow through developing country systems, it is necessary to upgrade the economic, technical and financial administration to the point where it is capable of implementing the various stages of donor operations – design,

procurement, measurement of social and environmental impacts, auditing. Supporting the formulation and monitoring of policies and strategies also makes it possible for aid to be increasingly adjusted to the activity of government in partner countries. ■



© AFD

Morocco Cooperative Multi-stakeholder Programme (Programme concerté pluri-acteurs – PCPA): an innovative multi-stakeholder approach to youth issues

The Morocco PCPA brings together French and Moroccan governmental and non-governmental stakeholders to address the topic of youth. The programme has three operational areas: education and vocational training, social and welfare economics, citizenship and access to the law. Special attention is given to gender parity. The first programme, which lasted three years, allowed 15 projects to be undertaken throughout Morocco. The programme now comprises 64 Moroccan not-for-profit associations, 33 French associations, French development cooperation bodies, the Moroccan government (Ministry for Social Development, Family and Solidarity), and representatives of local and regional government in both countries. The cooperative approach, directed to a specific purpose and using secure financing, triggered a collective process that is being pursued under a second programme.

Support to professional organisations in the agricultural sector

Although farmers make up the largest occupational category in developing countries, they are not well organised or represented, and thus find it difficult to participate in the debate over economic and trade policies, in which they have a vital interest. Two examples demonstrate the importance of strengthening farmers' organisations:

- Cotton is currently grown by 2 million African producers and provides livelihoods for 16 million households. Over the last 30 years, cotton production has grown strongly in West and Central Africa, and the region has become the world's second largest exporter. However, the technical and economic progress stemming from the trend of the world market. France helps the Association of African Cotton Producers (AproCa), an aggregate body made up of national growers' associations, to participate in international

negotiations on cotton production and trade and to give them a better command of the technical and economic conditions required to make African cotton more competitive.

- In Guinea, French cooperation has supported the Fouta Djallon Growers Federation since 1987. A technical assistance project (upgrading potato production) quickly revealed a problem of market outlets. Dialogue with the authorities led to the establishment of import controls during the harvest. The federation has grown in importance and plays an increasingly prominent role in setting agricultural policy. It now exports its potatoes to the sub-region.



© CE/ Guy Stubbs

From strategy to government action: support for implementation of PRSPs

Developing countries prepare poverty reduction strategy papers (PRSPs) that set their priorities for economic and social development, and in particular for poverty reduction. Donors are supposed to align their operations with the priorities laid down in the PRSPs. It is often difficult for developing countries to translate these priorities into their medium-term public expenditure frameworks, owing to the shortage of qualified human resources, which often results in a considerable discrepancy between the declared objectives and the actions really undertaken on the public budget. France and the UNDP have set up a centre of expertise on implementation of PRSPs, located in Dakar, that supports some 20 countries in the region in their efforts to resolve these technical questions.



© AFD

Adapting cooperation to the context



© S. Snrech.

Development cooperation helps partner countries to reduce internal fragilities, particularly poverty, and involves them in the search for collective solutions to global problems.

For **countries in crisis** situations, the priority is to restore peace and stability and to re-establish basic services for the benefit of the people, whose survival can be at stake. In such countries, aid faces a two-fold challenge: on the one hand satisfying the basic needs of the population where domestic institutions have failed, on the other hand helping to restore the normal operation of these institutions. Apart from situations of outright crisis, many countries are in situations of economic, social or political fragility that make them vulnerable to shocks. Development aid is keen on preventing these countries from backtracking on years of development. In these difficult contexts, the main criteria of aid effectiveness are the flexibility of instruments, local knowledge (these first two criteria ensure that cooperation will be suited to actual conditions in the country) and the ability to make the transition from

managing emergency situations to supporting development.

In **low-income countries** that are not directly threatened by crises, aid is more clearly provided in support of the efforts of the authorities. It supports the formulation of development policies, particularly growth and poverty reduction policies, and helps to finance their implementation. In these countries, where institutions work but are nonetheless fragile, the forms of aid delivery are as important as the direct aims of aid operations. Modes of delivery are designed to obtain operational results, since development needs are pressing, and help to build the capacity of individuals and institutions. For this reason, it is vital to put into practice the principles of the Paris Declaration, including the medium- and long-term predictability of external aid, its alignment with partner countries' priorities and systems, measuring results and public debate over these results.

The aid community is also active in **emerging countries**. In these countries, institutions are generally strong, human capacity is well developed, and development financing stems primarily from processes internal to the societies concerned. Aid makes a marginal contribution to a largely endogenous development process. It encourages and facilitates the convergence of these countries with a set of good practices that France is helping to promote around the world: more attention to



© J.-B. Veron

vulnerable groups, cultural diversity and the environment, increased contributions to efforts to address major global challenges such as communicable diseases and climate change.

Fair distribution of aid efforts is another challenge, as many countries are **aid orphans**. In allocating limited aid resources, donor countries must consider a number of factors: meeting the objective needs of countries and their populations, the quality of policy in beneficiary countries – which largely determines the effectiveness of the funding allocated to them – and the importance of the international issues specific to each country. For example, the countries that receive the most aid are countries in full-blown crisis situations, poor countries that nonetheless have efficient institutions and a few large emerging countries. However, many developing countries still receive very little aid considering the extent of their needs: for example, countries that are fragile but not in crisis, and many middle-income countries, notably in Latin America. It is necessary to consider the needs of all beneficiary countries so that no countries are excluded from the scope of international solidarity. With varied forms of aid delivery, it is possible to satisfy needs in all political, economic and social contexts. ■

Aid is adapted to the contexts of beneficiary countries, whether they are countries in crisis or in fragile situations, low-income countries or emerging countries.



© S. Snrech

Why cooperate with China?

China is the world's factory. It processes its natural resources in order to be able to export and drive the growth of a vast domestic market. Its rapid growth is having a huge environmental impact at both the local and global levels. To reduce the impact of the growth of the large emerging countries on global climate change, dialogue with the industrialised countries is needed. In China, French aid promotes scientific and industrial cooperation by hosting Chinese students in France and granting loans on near-market terms through the Agence Française de Développement. These loans support among other things China's efforts to combat climate change (hydraulic and wind energy, energy efficiency) in the construction sector and public transport.

Training new police forces in Burundi

In the context of a fragile transition process; improving security is a crucial objective for Burundi. With this in mind, French cooperation is supporting the restructuring and professional upgrading of the country's new police forces. This project, which focuses on improving training systems, contributes to long-term capacity building for this new institution. It is aligned with the partner country's priorities and reflects a genuine effort to harmonise aid with that of other bilateral and multilateral donors. It contributes to the ongoing reform of the security sector in Burundi, to the consolidation of peace and to the reinforcement of democratic governance.

The Central African Republic: an aid orphan?

After more than a decade of coups, rebellions and conflicts, both domestically and in neighbouring countries, the Central African Republic (CAR) displays all the characteristics of a fragile state, and also those of an aid orphan, owing to the lack of interest or the withdrawal of many of its development partners. France is one of the few donors, along with China, to have maintained an in-country representation. French cooperation has deployed a broad range of financing tools: subsidies from the Agence Française de Développement and the Ministry of Foreign Affairs, general budget support, support to NGOs. By participating in refinancing operations to settle the problem of the CAR's outstanding obligations to the World Bank and the African Development Bank, France has helped this country to resume its cooperation with these two multilateral institutions.



© 2002 CE/ F.Lefebvre

focus

Case studies available on the CD-Rom enclosed.

Chad

An approach to local development in a fragile context.

Mali

The sector-wide approach to education is making progress but needs to be further strengthened to achieve the Millennium Development Goals.

Mauritania

Aid to Mauritania's education system is effective, but would bear further improvement.



© CE/ Centre Jeunes Kamenge

Broadening the range of aid instruments

The diversity of development situations, issues, stakeholders and relationships, and the rapid pace of change, are confronting beneficiary countries and donors with increasingly complex situations. In this context, French aid has diversified into a wide range of instruments offering developing countries a variety of technical and financial innovations.

French aid is provided through both bilateral and multilateral channels. Bilateral aid includes project financing, often within sector-wide approaches, while general budget support provides a broader means of assisting partner countries in their development efforts to achieve measurable results. In a context where international issues (negotiations, access to financing, access to markets) display increasing technical complexity, French research and technical assistance offer the analytical capacity to develop appropriate solutions, capitalising on and strengthening local skills. French cooperation actively supports higher education and cultural development, two vital elements for building and diversifying local capacity.

AFD can deliver aid in the form of subsidies, primarily in the poorest countries and

in the social sectors, loans or guarantees. Loans subsidised by the French government offer terms not available in commercial banks. Guarantees help to harness local resources. In 2007, AFD provided €2.6 billion in loans and guarantees. AFD's financial innovations help to improve risk management. New "counter-cyclical" loans enable the borrower to suspend repayment in the event of external economic shocks, such as sudden variations in world prices.

French aid also participates in the financing of insurance mechanisms, e.g. against climatic risk and exchange rate risk. These new instruments are in keeping with the international debt sustainability initiative, intended to promote responsible indebtedness on the part of developing countries.

Traditional aid funding is supplemented by other financial flows, which are growing in size and importance: examples include aid for trade, to which European countries have made substantial commitments, the co-development savings passbook (livret d'épargne codéveloppement) and guarantees of future purchases. The latter encourages the pharmaceutical sector to invest in research to develop drugs against tropical diseases, by guaranteeing a solvent market for the

French aid is diversified and uses a wide range of financial and technical instruments.

Regional centres of expertise: a revamped approach to technical assistance

Developing countries are still in need of technical assistance but the forms of such assistance are changing to avoid crowding out local expertise, ensure high operational quality and maximise knowledge transfers. For several years and with several multilateral partners, France has been developing the concept of regional centres of expertise in specific subjects. The centres bring together specialists with complementary expertise on a given subject. These experts act at the request of national authorities and organise regional training sessions that allow specialists from different countries to share experiences. Several of these centres are operating in Africa in: education (with UNESCO), support for PRSP implementation (with the UNDP), rural development (with the World Bank and IFAD) and health (with the WHO).

products. Support to micro-finance networks is another promising approach that harnesses local savings to serve the poorest groups, particularly women. In a different vein, AFD's subsidiary Proparco makes loans and equity investments to help finance the development of the local private sector in developing countries, while taking care to maximising its impact on development. France also supports efforts to tap new and sustainable sources of public financing in addition to the tradi-

tional budgetary resources of donor countries. For example, the solidarity tax on airline tickets, introduced by nine countries since 2006, aims to redistribute the benefits of globalisation through a small contribution levied on a high-growth business. The proceeds of the tax go to the UNITAID programme, which among other things makes group purchases of AIDS, tuberculosis and malaria drugs in order to obtain them at lower cost (25 to 50% lower in some cases). The International Finance

Facility for Immunisation (IFFIm) issues bonds to finance major international immunisation campaigns. Other mechanisms are being publicly debated or are being tested by a few countries, such as contributions based on auctioning of carbon emission quotas and mechanisms to finance digital solidarity. Proposals have also been tabled for mechanisms to facilitate voluntary contributions by the private sector. ■

Pilot project and heavy infrastructure: an innovative means of supplying clean water in shantytowns



© D. Richard

An AFD-financed project to improve water supply infrastructure in Kisumu, the third largest city in Kenya, introduced a novel form of cooperation with NGOs. A pilot project tested a new approach to supplying drinking water to the disadvantaged populations of shantytowns. These populations have little access to the public water supply network, and pay a high price for water of lower quality. In conjunction with district authorities, private vendors were authorised to purchase water from the municipal water company and distribute it through a local network, in exchange for a negotiated fee. This scheme resulted in higher-quality, less expensive water supply in the district. The experiment was extended to a second urban district with the help of an NGO. Financing from the World Bank will make it possible to scale up the project to cover all informal districts in the city.

Adding a subsidy component to migrants' savings

To support the remittances of legal migrants settled in France to their home countries, France has taken an innovative approach by creating two financial instruments specifically for migrants:

- the co-development savings account (compte épargne codéveloppement), created in 2006, allows the migrant to save up to €50,000 and to take a tax deduction provided these savings are invested in economic development projects. This instrument is available to the nationals of some 50 countries.

- the co-development savings passbook (livret d'épargne codéveloppement), created in 2007, allows the migrant to accumulate savings for a minimum period of three years. If the account holder then contracts a loan in order to invest in a country that has signed an agreement with France concerning the passbook scheme, the interest earned is supplemented by a premium paid by the state.

These co-development savings schemes help investors familiar with the environment to start businesses that are both profitable and benefit the communities.

Support to micro-finance: a vital lever for shared economic development

The productive sector plays a central role in poverty reduction but often depends on access to financing. In sub-Saharan Africa, AFD is the leading donor to the micro-finance sector, with 35% of total donor commitments. These commitments strengthen local institutions through appropriate instruments. In Morocco, for example, AFD Group guaranteed a €12.5 million loan granted by a local bank to the largest micro-credit association.

AFD participates in the establishment and development of micro-finance networks, by supporting them in rural areas and post-crisis countries and by boosting the supply of housing loans, services for migrants and savings products.



© AFD



© J.-B. Veron

Forging new alliances

France also participates actively in debates on changes in the governance of multilateral development institutions, intended to give beneficiary countries and emerging donors a stronger voice and a better representation. It also encourages increased cooperation among multilateral institutions and participates in an international mechanism to measure their performance.

France also supports **decentralised cooperation**, involving local authorities, social and economic institutions and French NGOs, and bringing the citizens of donor countries into closer contact with those of developing countries. France has pledged to double the share of its ODA in support of non-governmental operators. Like other cooperation mechanisms, however, this practice needs to be regulated to serve beneficiary populations and institutions more effectively. To this end, France and the other countries of the European Union are preparing a development

cooperation charter in support of local governance, to be signed with local stakeholders in 2008. The charter contains four headings: promotion of a national framework conducive to democratic local governance; strengthening democracy at the local level; supporting local development and reduction of poverty and inequality; and harmonisation of the forms of cooperation used by European aid operators. France will propose that the implementation of this charter with partner countries

As a complement to its evolving instruments, France is fostering coalitions of stakeholders in support of development.

France is an active member of **the European Union (EU)**, the world's foremost donor. The EU has pledged substantive increases in its development aid and coherence in its international policies, particularly as regards a strategic partnership with Africa. By endorsing the European Code of Conduct on the division of labour in development policy in 2007, EU member countries opted for a collective approach to rationalising their aid and harmonising aid delivery.

French aid is heavily involved in **multilateral and EU cooperation**, which accounts for one-third of total French official development assistance. France is a leading donor to the European Development Fund (EDF), the World Bank and the African Development Bank, development organisations in the United Nations system and several vertical funds, notably in the area of health and treatment of HIV/AIDS. France parti-

French development cooperation is heavily involved in multilateral and EU cooperation, which accounts for one-third of total French aid.

The network of European Development Finance Institutions (EDFIs)

The EDFI network, comprising 16 European development finance institutions, is a venue for cooperation and implementation of joint actions, notably in the form of co-financing for the private sector. It has introduced procedures that further harmonise the practices of its members. It works on the basis of mutual recognition of operational methods. The procedures and working method used by a member of the network to prepare a proposal are not challenged by the other members. Common standards have been defined for evaluation of environmental and social aspects, as well as for the fight against money laundering.

and volunteer organisations be evaluated to draw lessons and improve aid effectiveness. These coalitions also include **foundations and Northern corporations**, an increasing number of which are building new partnerships in poor countries, as between Danone and the Grameen Bank. By encouraging the development of public-private partnerships, French aid enables companies to operate in environments where they would not invest spontaneously, or to change their practices for a greater impact on development. Business plays an important role in developing economic activity and employment, in innovation and opening up developing countries to the outside world, but on its own does not seek to develop public services. With targeted support, French ODA encourages private investment in essential services (water, power, telecommunication), while helping to broaden access to these services and promoting corporate



© AFD

social and environmental responsibility. Lastly, France takes part in the incipient dialogue with **emerging donors**, both bilaterally and in the G8 and OECD frameworks. Apart from their financial contributions, these countries – particularly India, China, Brazil, Mexico and South Africa – can make a valuable contribution to the international debate on good aid practice.

Alongside the United Nations, promoting linkages between the private sector and development

The United Nations has been working for several years to involve the private sector in development projects. In January 1999, at the Davos Forum, the Secretary-General of the United Nations tabled the idea of a Global Business Ethics Pact to encourage business to contribute to development through partnerships and adherence to the principles of globalisation for the benefit of all. In July 2008, in conjunction with the Agence Française de Développement, the UNDP published a report that shows in practice how entrepreneurs can reach the poor in their role as customers, but can also integrate them into the working world as producers, employees and heads of businesses. It provides examples of companies that, in doing business with the poor, not only make profits but also create new growth possibilities and improve the lives of the poor.

The European Code of Conduct on the division of labour on development policy

The purpose of the European Code of Conduct, adopted in May 2007, is to increase the effectiveness of aid by allocating resources according to the comparative advantages of each European donor, including the European Commission. The aim is to reduce the number of donors in saturated countries or sectors ("aid darlings") and increase it in neglected countries or sectors ("aid orphans"). Under this Code, each donor in a given beneficiary country concentrates on three main sectors in which the donor has a comparative advantage; a lead donor coordinates the aid of all donors and conducts the policy dialogue with the partner in a given sector; and each donor is requested to focus on a small number of priority countries. The Commission sees this as a reaffirmation of its mission to have a presence in all developing countries. When a donor withdraws from a sector or a country, its aid may be delivered by another donor in the form of delegated management arrangements, also known as silent partnerships.

Public-private partnerships (PPPs) and the initiative in support of growth in Africa

Promoting synergies between public and private development financing is a long-standing goal of French cooperation. Proparco, the AFD subsidiary dedicated to the private sector, was created in 1977 for the purpose of adding the financing of businesses to the French range of development finance tools. Many infrastructure and marketable public service projects involving private partners have been supported through a diversified range of instruments (loans, subsidies, guarantees, venture capital investments, etc.). The lessons learned from these experiences are making it possible to extend PPPs into new areas (such as training) and to take a broader view of the dividing line between the public and private spheres, by including local private agents, civil society organisations and local authorities. The initiative in support of growth in Africa, announced in February 2008 by the French President (a €250 million African investment fund, a €250 million guarantee fund, the doubling of AFD Group's lending and equity investment activity in the African private sector to reach the level of €2 billion over five years) will reinforce French support to PPPs aimed at development.

focus

Case studies available on the CD-Rom enclosed.

Africa

The Infrastructure Trust Fund: an innovative approach to coordinating European aid.

Morocco

The effectiveness of micro-credit depends on incentives provided by the government and on dynamic non-government organisations.

Senegal

Local development programmes in Senegal combine capacity building with investment.



Key Work Strands

© CE-Guy Stubbs

The increased number of donors and the major changes in the international context provide new opportunities to redesign development assistance. France, the third-largest DAC donor in 2007, is reconsidering its priorities and instruments to ensure that they are in keeping with the new challenges.

The main features of French development cooperation are as follows:

- **Managing for results**, as measured in terms not only of economic and social progress but also of strengthening the capacities of partner countries and institutions.
- **Putting the principles of the Paris Declaration into practice** through the French Action Plan on aid effectiveness, which sets three priorities: partnerships, capacity building and modernisation of management tools and methods.
- **A commitment to enhanced cooperation and coherence in the European framework**, be it at the level of beneficiary

countries (European Code of Conduct on the division of labour in development policy), the local level (European charter on cooperation in support of local governance) or between European cooperation institutions.

- **Active involvement in international and regional institutions** and in fora on financing development and defining best practices: the World Bank, the International Monetary Fund, United Nations bodies, the Organisation for Economic Cooperation and Development.
- **Increased interaction with other stakeholders in development**: civil society organisations, local authorities, the private sector, emerging countries.
- **Active involvement in research and higher education** to serve development.
- **International promotion of innovative financing tools and mechanisms** to help adapt development approaches and tools to a changing context. ■

Key figures

French official development assistance: key figures

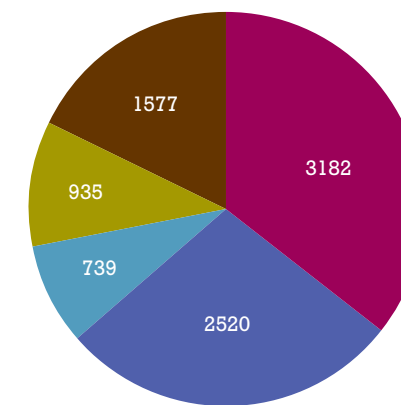
France's official development assistance (ODA), as measured by the OECD Development Assistance Committee (DAC), amounted to nearly \$10 billion in 2007, or 0.39% of gross national income, making France the DAC's third largest donor in real terms. More than one-third of French ODA (36.6% in 2007, or \$3.64 billion) passes through multilateral channels. France is a

major contributor to several multilateral funds, including the European Development Fund (EDF), the Global Fund to Fight AIDS, Malaria and Tuberculosis, the World Bank's International Development Agency and the African Development Fund. Debt cancellation, which lightens the burden of debt service on the budgets of partner countries and increases their domestic capacity to finance economic and social development, accounts for about one-fourth of total French ODA, and was the leading category of bilateral aid in 2007. Most of the rest of French aid is allocated to

the social sectors – particularly education, the leading item in this category, which combines aid to education sectors in developing countries with education in France for these countries' nationals. Geographically, France concentrates its ODA on a "priority solidarity zone" comprising 56 developing countries. More than half of its bilateral aid (57%) goes to sub-Saharan Africa, followed by North Africa and the Middle East (21%) and Asia (6%).

In addition

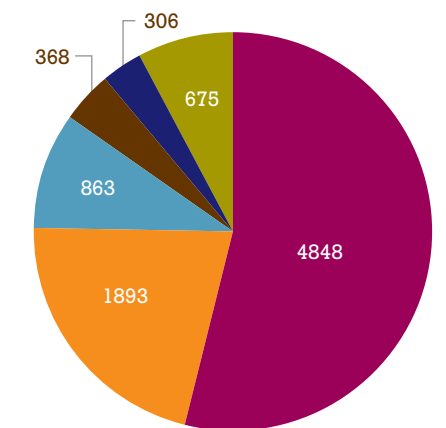
Gross French bilateral aid by income group 2005-2006 avg., in USD mn



- Least advanced countries
- Low-income countries
- Lower middle-income countries
- Higher middle-income countries
- Unspecified

Source: DAC

Gross French bilateral aid by region, 2005-2006 avg., in USD mn



- Sub-Saharan Africa
- Middle East & North Africa
- Asia & Oceania
- Latin America & Caribbean
- Europe
- Unspecified

Source: DAC

focus

Case studies available on the CD-Rom enclosed.

Madagascar

Long-term support from donors has contributed to a framework for sustainable development.

Mozambique

The effectiveness of aid to health care in Mozambique: challenges to be met.

Niger

A joint fund marks a first step towards harmonisation in a fragile environment.



Glossary

© CE/Guy Stubbs

In addition

■ Agence Française de Développement (AFD):

A specialised financial institution whose task, as part of the French official development assistance system, is to participate in the financing of development. Using a range of financial instruments, it works to preserve global public goods and responds to crisis situations.

■ Cooperative Multi-stakeholder Programme – PCPA:

Programme aimed at developing closer cooperation among the various components of civil society and government in defining public policy on poverty reduction.

■ Development Assistance Committee (DAC):

An OECD body responsible for issues relating to cooperation with developing countries.

■ European Development Fund (EDF):

The European Union's main aid instrument for cooperation and the development of the African, Caribbean and Pacific (ACP) group of states and to overseas countries and territories.

■ Fast Track Initiative for Education for All:

A multilateral initiative launched by the World Bank in 2002 to guarantee long-term resources to beneficiary countries that undertake educational reforms, with the aim of achieving the Millennium Development Goals concerning universal primary education by 2015.

■ French Action Plan on Aid Effectiveness - PAF:

Plan for implementing the commitments given by France in the Paris Declaration in order to achieve the targets set by the year 2010.

■ G8:

The Group of Eight is a discussion forum and economic partnership consisting of eight of the world's most economically powerful countries: the United States, Japan, Germany, Russia, the United Kingdom, Italy, France and Canada.

■ Gross national income (GNI):

The sum of all income (wages, salaries and financial income) received during a given period by economic agents residing in a country.

■ Heavily Indebted Poor Countries (HIPC) Initiative:

The HIPC Initiative is the debt relief mechanism for developing countries launched by the World Bank and the International Monetary Fund in 1996. It was reformed in 1999, becoming the "Enhanced HIPC Initiative". The debt relief granted normally depends on the poverty reduction efforts of the countries concerned.

■ International Fund for Agricultural Development (IFAD):

A specialised institution in the United Nations system, founded in 1977. IFAD serves as an agricultural and rural development bank for developing and transition countries.

■ Millennium Development Goals (MDGs):

Eight goals approved in 2000 by 191 countries, aimed at improving the situation of the most disadvantaged by 2015.

■ Multilateral Debt Relief Initiative (MDRI):

Initiative launched by the International Monetary Fund (IMF) in 2005 at the instigation of the G8. The total debt relief granted by the IMF under the MDRI is expected to exceed \$5 billion. This debt relief is intended to help the countries eligible for it to progress towards the Millennium Development Goals (MDGs), which aim to reduce world poverty by half by the year 2015.

■ Official development assistance (ODA):

The term ODA designates all efforts made by OECD member states to promote the development of the least advanced countries and middle-income countries, in accordance with the rules of the OECD Development Assistance Committee (DAC).

■ Organic Statute on Budget Acts – LOLF:

This law, which came into force on 1 January 2006, reformed the management of the French central budget to increase transparency and to give parliament a larger role. In return for greater autonomy in managing public programmes, the law provides for increased accountability and an indicator of performance.

■ Organisation for Economic Cooperation and Development (OECD):

Organisation that coordinates economic policy and research among developed countries having a democratic system of government and a market economy. In 2007, the OECD had 30 member countries.

■ Poverty reduction strategy paper (PRSP):

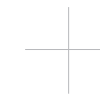
Developing countries set their priorities for economic and social development and formalise them in a policy reduction strategy paper. Donors are requested to align their actions with the priorities laid down in the PRSP.

■ Proparco:

A subsidiary of the Agence Française de Développement specialising in private sector financing (investment capital, loans and guarantees) in developing and emerging countries.

■ Public-private partnership (PPP):

A financing method in which a public authority calls on a private company to design, finance, build and manage structures, public facilities and services contributing to provision of basic services. A PPP enables such authorities to undertake urgent or complex projects and complete them more quickly or under better conditions.



Bilingual CD-ROM containing:
- the main official documents
- Case studies



Official development assistance is an investment in the future, a means of working for the stability of the planet in the coming decades. With intelligent and effective aid, we can help to achieve the Millennium Development Goals in Africa and elsewhere, we can help to bring about stronger and fairer economic growth, we can fight poverty, support job creation and reduce illegal migration, we can also combat global warming and control the spread of endemic diseases, and in so doing we help to limit the despair that so often fuels conflict and terrorism.



Alain Joyandet,

Minister of State, attached to the Minister of Foreign and European Affairs,

responsible for Cooperation and Francophony

**Agence Française de Développement
(AFD)**

5, rue Roland Barthes
75598 Paris cedex 12
France
Tel.: + 33 1 53 44 31 31

www.afd.fr

**Ministère des Affaires Étrangères
et Européennes / Direction Générale
de la Coopération Internationale et
du Développement (DGCID)**

244, bd Saint-Germain
75303 Paris 07 SP
France
Tel.: + 33 1 43 17 90 00

www.diplomatie.gouv.fr

**Ministère de l'Économie, des Finances
et de l'Emploi / Direction Générale du Trésor
et de la Politique Économique (DGTPE)**

139, rue de Bercy 75572
Paris Cedex 12
France
Tel.: + 33 1 44 87 17 17

www.minefi.gouv.fr



Cover photography: © J.-B. Veron

